

NATIONAL FEDERATION OF FEDERAL EMPLOYEES	NFFE	2020 K St., NW WASHINGTON, DC 20006 (202) 862-4400
SERVING FEDERAL EMPLOYEES AND THE NATION SINCE 1917		

STATEMENT BY

THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES

BEFORE

THE SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS

HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

ON

H.R. 1131

**MODIFICATION OF THE METHOD FOR RETIREMENT CREDIT
BASED ON CERTAIN MILITARY SERVICE**

June 27, 1985

Madam Chairwoman and Subcommittee Members:

I appreciate the opportunity to appear today in support of H.R. 1131, a bill to modify the method by which Federal employees receive credit under the Civil Service Retirement System based on military service. Because many of the employees we represent are also veterans, this issue is extremely important to our membership. We therefore commend both you and Congressman Oberstar for your efforts to treat these veterans in a more equitable manner. We look forward to working with you toward the enactment of this legislation.

Until September 1982, Public Law 84-881 contained a provision--commonly referred to as Catch-62--which reduced annuities for civil service retirees who became eligible for social security at age 62, if those annuities were based in part on years spent in the military after 1956. The provision targeted Civil Service and Postal Service retirees who received military service credit toward their civil service annuity. However, when their social security benefits were based in any part on their military service, these retirees were forced to delete the post 1956 military service credit from their federal annuity. This has resulted in substantial losses for many veterans.

✓ In the meantime, civil service retirees with no military service after 1956 did not suffer annuity reductions at age 62 if they were entitled to social security. Unlike the all-military careerist or the all-civil service careerist, the Catch-62 victim

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was denied retirement income after age 62 based on all his government service just because he transferred from military to civil service.

This penalty was enacted in 1956 at the urging of the former Civil Service Commission. The Commission took the position that military service credit for both social security and civil service retirement constituted a "double credit". Thus, it was in violation of statutory prohibition against crediting service to two retirement systems at one time.

After extensive lobbying by the National Federation of Federal Employees and other organizations, Congress rejected this argument acknowledging that the Social Security System is not a retirement system and was never so intended. Rather, it was designed as a system to provide supplemental income to elderly people, who are expected to have additional income from other means. So, to correct the Catch-62 inequity, Congress modified the law to allow current and future civilian retirees to avoid the annuity reduction at age 62. The Omnibus Budget Reconciliation Act of 1982 gave retirees the opportunity to pay back to the government an amount equal to seven percent of the basic pay they earned while on military active duty after 1956. In return, retirees would be permanently credited with this military service.

While this provision was a major victory for veterans who retired from the civil service, it overlooked one detail: civil service

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employees were required to contribute only six and one-half percent of their pay to the retirement system until 1970. Therefore, it makes little sense to require retirees seeking to avoid the Catch-62 penalty to deposit seven percent of their basic pay for this period. H.R. 1131 addresses the inequity by requiring these retirees to pay back only the actual post 1956 employee retirement contribution. For example, under H.R. 1131, a civil service retiree with five years of military service from 1957-1962 would only be required to contribute six and one-half percent of his basic pay in order to avoid the annuity reduction, because during that time civil servants were only required to make a six and one-half percent contribution to the retirement system. This modification is only fair.

NFFE believes that H.R. 1131 provides further protection to a segment of the federal workforce whose needs for equal retirement annuities have long been ignored. This bill's adjustment of the Act is warranted and necessary.

Once again, the NFFE commend both you and Congressman Oberstar for your efforts on behalf of veterans and Federal employees.

That concludes my statement. I will be happy to answer any questions.